

**M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)**  
(Incorporated in Malaysia)

**Part A - Explanatory Notes Pursuant to MFRS 134**

**1. Basis of Preparation**

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2014. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2014.

**2. Significant Accounting Policies**

The accounting policies applied by the Group in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements of the Group for the financial year ended 30 June 2014. The Group has also adopted the following MFRSs, amendments to MFRSs and IC Interpretation which are:

(i) Effective for financial periods beginning on or after 1 January 2014:

Amendments to MFRS 10, 'Consolidated Financial Statements: Investment Entities'  
Amendments to MFRS 12, 'Disclosure of Interest in Other Entities: Investment Entities'  
Amendments to MFRS 127, 'Separate Financial Statements: Investment Entities'  
Amendments to MFRS 132, 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'  
Amendments to MFRS 136, 'Impairment of Assets – Recoverable Amount Disclosure for Non-financial assets'  
Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting'  
IC Interpretation 21 'Levies'

(ii) Effective for financial periods beginning on or after 1 July 2014:

Amendments to MFRS 119, 'Employee Benefits: Defined Plans – Employee Contributions'  
Annual Improvements to MFRS 2010 – 2012 Cycle  
Annual Improvements to MFRS 2011 – 2013 Cycle

The adoption of the above-mentioned accounting standards and amendments does not have any material impacts to the financial statements of the Group.

### **3. Seasonal or Cyclical Factors**

The business of the Group is not affected by any significant seasonal or cyclical factors.

### **4. Unusual Items due to their Nature, Size or Incidence**

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the current quarter under review.

### **5. Changes in Accounting Estimates and Errors**

There were no changes in estimates that have a material effect in the current quarter under review.

### **6. Debt and Equity Securities**

There were no issuance or repayment of debt and equity securities, share buy-back, shares cancellations, shares held as treasury shares and resale of treasury shares in the current quarter under review.

### **7. Dividend Paid**

No dividend has been proposed for the financial period ended 30 September 2014.

### **8. Property, Plant and Equipment Valuation**

There has been no valuation undertaken for the Group's property, plant and equipment.

### **9. Changes in the Composition of the Group**

There were no changes in the composition of the Group in the current quarter under review.

### **10. Contingent Liabilities and Contingent Assets**

As at 21 November 2014 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), there were no changes in contingent liabilities and contingent assets since 30 September 2014.

### **11. Capital commitments**

There were no material capital commitments as at the end of the current quarter under review.

## 12. Segmental Information

Segmental information of the results of the Group for the cumulative quarter is as follows:

### (i) Geographical Segment

<b><u>3 months ended 30 Sep 14</u></b>	<b>Malaysia RM'000</b>	<b>Thailand RM'000</b>	<b>Pakistan RM'000</b>	<b>Other Countries RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	4,614	298	2,033	903	(1,206)	6,642
Segment results	(1,658)	(134)	730	(912)	3	(1,971)
Interest income/(expense)	(8)	(1)	-	1	-	(8)
Share of results in a joint venture	-	-	-	-	(2)	(2)
Share of results in an Associate	-	-	-	-	(87)	(87)
Profit/(loss) before taxation	(1,666)	(135)	730	(911)	(86)	(2,068)
Segment assets	45,208	7,415	12,388	16,811	(49,174)	32,648
<b><u>3 months ended 30 Sep 13</u></b>	<b>Malaysia RM'000</b>	<b>Thailand RM'000</b>	<b>Pakistan RM'000</b>	<b>Other Countries RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	6,955	793	1,998	2,273	(1,042)	10,977
Segment results	(922)	(374)	514	(659)	48	(1,393)
Interest income/(expense)	3	2	-	6	-	11
Share of results in a joint venture	-	-	-	-	(3)	(3)
Profit/(loss) before taxation	(919)	(372)	514	(653)	45	(1,385)
Segment assets	29,731	9,392	9,749	7,554	6,488	62,914

## 12. Segmental Information (cont'd)

### (ii) Business Segment

<b><u>3 months ended 30 Sep 14</u></b>	<b>Mobile Solutions RM'000</b>	<b>Trading &amp; Distribution RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	4,980	2,866	(1,204)	6,642
Segment results	(1,349)	(627)	5	(1,971)
Interest income/(expense)	(6)	(2)	-	(8)
Share of results in a joint venture	-	-	(2)	(2)
Share of results in an associate	-	-	(87)	(87)
Profit/(loss) before taxation	<u>(1,355)</u>	<u>(629)</u>	<u>(84)</u>	<u>(2,068)</u>
Segment assets	58,782	23,040	(49,174)	32,648

<b><u>3 months ended 30 Sep 13</u></b>	<b>Mobile Solutions RM'000</b>	<b>Trading &amp; Distribution RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	5,604	6,415	(1,042)	10,977
Segment results	(1,040)	(401)	48	(1,393)
Interest income/(expense)	12	(1)	-	11
Share of results in a joint venture	-	-	(3)	(3)
Profit/(loss) before taxation	<u>(1,028)</u>	<u>(402)</u>	<u>45</u>	<u>(1,385)</u>
Segment assets	36,080	20,346	6,488	62,914

## 13. Related party transactions

	<b>Current Quarter 3 months ended</b>		<b>Cumulative Quarter 3 months ended</b>	
	<b>30-Sep-14 RM'000</b>	<b>30-Sep-13 RM'000</b>	<b>30-Sep-14 RM'000</b>	<b>30-Sep-13 RM'000</b>
Sales to an associate	49	-	49	-

The transactions were carried out in the ordinary course of business and are on normal commercial terms.

## 14. Subsequent Events

There was no material event that took place between 1 October 2014 and 21 November 2014 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for the ACE Market**

**15. Performance Review**

Business Segment	Current quarter 3 months ended			Cumulative quarter 3 months ended	
	30-Sep-14	30-Sep-13	30-June-14	30-Sep-14	30-Sep-13
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Mobile Solutions</b>					
Revenue	674	5,508	4,022	674	5,508
Profit/(loss) before taxation	(948)	(1,028)	(6,066)	(948)	(1,028)
% Profit/(loss) before taxation	-140.7%	-18.7%	-150.8%	-140.7%	-18.7%
<b>Trading &amp; Distribution</b>					
Revenue	5,968	5,469	4,260	5,968	5,469
Profit/(loss) before taxation	(1,036)	(402)	(12,400)	(1,036)	(402)
% Profit/(loss) before taxation	-17.4%	-7.4%	-291.1%	-17.4%	-7.4%
<b>Adjustment</b>					
Profit/(loss) before taxation	(84)	45	1,325	(84)	45
<b>Total</b>					
Revenue	6,642	10,977	8,282	6,642	10,977
Profit/(loss) before taxation	(2,068)	(1,385)	(17,141)	(2,068)	(1,385)
% Profit/(loss) before taxation	-31.1%	-12.6%	-207.0%	-31.1%	-12.6%

Q1-2015 vs Q1-2014

The Group generated revenue of RM6.64 million for this quarter ended 30 September 2014 (“Q1-2015”), representing a decrease of RM4.34 million as compared to RM10.98 million generated in the previous year corresponding quarter ended 30 September 2013 (“Q1-2014”).

The drop in revenue is a result of the downsizing effect of our businesses in Singapore, Indonesia and Thailand plus the saturation of market demand for existing products through our distribution business locally. The clearance of stock at a significantly reduced margin also contributed to the increased losses experienced.

The increase in loss before tax of RM0.69 million (from RM1.38 million in Q1-2014 to loss before tax of RM2.07 million in Q1-2015) is due to the lower revenue.

Q1-2015 vs Q4-2014

When compared to the previous quarter ended 30 June 2014 (“Q4-2014”), revenue of The Group decreased by RM1.64 million from RM8.28 million to RM6.64 million in Q1-2015.

The loss before tax for Q1-2015 was significantly lower as compared to the RM17.14 million incurred in Q4-2014 is due to the significant impairment of loss on goodwill, inventory written off, impairment loss on interest in a joint venture, allowances for impairment losses on receivables and product development expenditure written off, in the preceding quarter.

## 16. Commentary on Prospects

The Group's current focus is to continue to reduce expenses and to consolidate manpower and focus on the sales channels which have strong potential.

The introduction of new products under our distribution business, namely our WayLED (LED Sensor Lighting) and WayHome (Smart Home Solutions) products are geared to help boost returns from related subsidiaries and to hopefully counter the drop in our conventional sales from GPS and Driving Video Recorders. The i3D Interactive Digital Terminals have also seen positive responses in recent months, as is expected to improve in the next few quarters, with new and existing clients increasing their demand for such terminals.

This difficult and challenging period continues, and our priority lies in consolidating our efforts - to regroup and restructure our operations and strategies for each business unit to prevent further losses and to achieve a break even scenario by the end of FY2015, barring any unforeseen circumstances.

## 17. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

## 18. Taxation

	<b>Current Quarter 3 months ended</b>		<b>Cumulative Quarter 3 months ended</b>	
	<b>30-Sep-14</b>	<b>30-Sep-13</b>	<b>30-Sep-14</b>	<b>30-Sep-13</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
In respect of current period:-				
- Malaysian tax	20	68	20	68
- Foreign tax	134	106	134	106
	<u>154</u>	<u>174</u>	<u>154</u>	<u>174</u>

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

## 19. Corporate Proposals

As at 21 November 2014 (being the latest practical date not earlier than seven (7) days from the date of issue of this report), There were no corporate proposal being announced and completed.

## 20. Group Borrowings and Debt Securities

The Group borrowings as at 30 September 2014 and 30 September 2013 are as follows:

	<b>30-Sep-14</b> <b>RM'000</b>	<b>30-Jun-14</b> <b>RM'000</b>
<b>Current</b>		
<u>Secured</u>		
- Letters of credit	-	339
- Term loan	58	55
- Obligations under finance leases	87	89
	<hr/> 145	<hr/> 483
<b>Non-current</b>		
<u>Secured</u>		
- Term loan	517	533
- Obligations under finance leases	167	192
	<hr/> 684	<hr/> 725
Total Group borrowings	<hr/> 829	<hr/> 1,208

The Group did not have any debt securities as at 30 September 2014.

## 21. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 30 September 2014 and 30 September 2013 are analysed as follows:

	<b>30-Sep-14</b> <b>RM'000</b>	<b>30-Jun-14</b> <b>RM'000</b>
Total retained profits of the Company and its subsidiaries		
- Realised	3,111	5,178
- Unrealised	(189)	(119)
Total share of retained profits from a joint venture		
- Realised	(221)	(218)
Total share of retained profits from an associate		
- Realised	(115)	(27)
Consolidation adjustments	2,058	2,139
Total Group retained earnings as per unaudited consolidated financial statement	<hr/> 4,644	<hr/> 6,953

## 22. Changes in Material Litigation

As at 21 November 2014 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), the Company was not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group.

### 23. Earnings Per Share

The earnings per share was calculated by dividing the Company's profit after taxation and non-controlling interests by the weighted average number of ordinary shares in the respective period as follows:

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
Profit/(loss) after tax and non-controlling interests (RM'000)	(2,312)	(1,599)	(2,312)	(1,599)
Weighted average number of ordinary shares in issue	177,057,240	177,057,240	177,057,240	177,057,240
<u>Earnings/(loss) Per Share</u> Basic/Diluted (Sen)	(1.31)	(0.90)	(1.31)	(0.90)

### 24. Derivatives

The Group did not enter into any derivatives during the current quarter under review.

### 25. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss for the current quarter under review.

### 26. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 30 June 2014 was not qualified.

By order of the Board of Directors

Lim Seng Boon  
Director  
28 November 2014